

California Department of Education - Audits and Investigations Division
Auditing Child Development, Nutrition, and Adult Basic Education Programs

Frequently Asked Questions

1. Question: What changes have you made to *Audit Guide 2000*?

Answer: The principal change is replacement of the Audited Final Reimbursement (AFR) Calculation Worksheets with the new Audited Final Attendance and Fiscal Report Forms. Other changes were made to Sections 100 through 900 and the appendices' sample audit reports. Also, we changed the name of the audit guide to *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* ([CDE Audit Guide](#)), which is effective beginning fiscal year 2001-2002.

The old [Audit Guide 2000](#) will remain on our website to use for audits of years prior to fiscal year 2001-2002.

2. Question: Why are the old Audited Final Reimbursement Calculation Worksheets being replaced with the new Audited Final Attendance and Fiscal Report Forms ([Forms in Spreadsheets](#))?

Answer: The new forms simplify the audit process and facilitate the California Department of Education's determination of audited fiscal year end reimbursable earnings needed to close out the child development contracts. The new forms are similar to the Child Development Fiscal Services' existing Attendance and Fiscal Reports that are completed and provided by contracting agencies to the Child Development Fiscal Services staff on a monthly or quarterly basis.

3. Question: Should audit reports still include Audited Final Reimbursement (AFR) Calculation Worksheets?

Answer: No, the AFR's are not required beginning fiscal year 2001-2002 and should not be submitted with the 2001-2002 audit report.

4. Question: Where do CPA's find the new forms and get help in preparing them?

Answer: Our website contains "NEW AUDIT FORMS." You can click on [General Instructions](#), [Forms in Spreadsheets](#) (a downloadable MS Excel © workbook), and on [Additional Assistance](#). For a sample audit report that includes the new forms, click on [CDE Audit Guide](#). Then go to Appendix A1, *Sample Contractor Audit Report*.

5. Question: Is the Schedule of Child Attendance still required for center-based programs?

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Answer: Beginning, fiscal year 2001-2002, the Schedule of Child Attendance is not required because all of the attendance information is reported on the new Audited Final Attendance and Fiscal Report Forms for each applicable contract. The attendance information is reported in a format similar to that reported on the fiscal year end Child Development Fiscal Services' Attendance and Fiscal Reports.

6. Question: Is the Combining Schedule of Expenditures by State Categories still required?

Answer: The Combining Schedule of Expenditures by State Categories is not required after fiscal year 2000-2001 if the expense information normally reported on that schedule is clearly identified on the Combining Statement of Activities. (The Combining Statement of Activities continues to remain a required statement.) "Clearly identified" means that the expenses reported on the Combining Statement of Activities must be easily traceable to each of the expense line items on the new Audited Final Attendance and Fiscal Report Forms. Note that those expenses must be separately identified for each contract.

7. Question: Is the Combining Schedule of Administrative Costs still required?

Answer: Yes, the Combining Schedule of Administrative Costs is required to be submitted in audit reports. The fiscal section of most of the new forms contains a line for Total Administrative Cost for a particular contract. That amount should tie to the respective amount on the Combining Schedule of Administrative Costs.

8. Question: How should the dollar amounts on the new Audited Final Attendance and Fiscal Report Forms tie to the financial statements?

Answer: The revenue section of the new Audited Final Attendance and Fiscal Report Forms is to exclude money received by the contractor from the state for Child Development contracts. Other revenue amounts should be traceable to the Combining Statement of Activities for each contract.

The amounts in the expense section of the Audited Final Attendance and Fiscal Report Forms also should be traceable to the Combining Statement of Activities for each contract. Non-reimbursable expenses should be identified separately from reimbursable expenses both on the Audited Final Attendance and Fiscal Report Forms and on the Combining Statement of Activities.

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9. Question: Who is responsible for the validity and accuracy of information reported in the new Audited Final Attendance and Fiscal Report Forms?

Answer: The financial information reported in the forms, other supplementary information, and the financial statements is the responsibility of the contractor's management. The independent auditor is responsible for expressing an opinion on all of the information based on the audit performed in accordance with applicable standards and audit guides.

As to the forms and other supplementary information, the independent auditor is to state whether the information is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

When attendance is reported for a contract, the independent auditor is specifically required to certify, based on the results of the audit, whether the attendance records and data are being maintained and reported according to the requirements of the California Department of Education, Child Development Division.

10. Question: How do I calculate reserve amounts using the new forms?

Answer: Agency's and independent auditors are not authorized to calculate reserve amounts. Only the Child Development Fiscal Services (CDFS) staff of the California Department of Education calculates reserve amounts based on special formulas. Note that CDFS staff first must approve an agency's request to establish a reserve account before an agency may maintain a reserve account.

For additional information, see the Reserve Account and Reserve Amount Calculations sections of the CDFS publication titled *Child Development Attendance and Fiscal Reporting and Reimbursement Procedures* (Green Book). This publication is available on our website under either [CPA Resources](#) or [Agency Resources](#).

11. Question: The Reserve Account section of the Child Development Fiscal Services (CDFS) publication titled *Child Development Attendance and Fiscal Reporting and Reimbursement Procedures* states that a contractor's audit must include data from the CDFS Attendance and Fiscal Reports as well as data from the CDFS Reserve Account Activity Reports. How do I include this data on the Audits and Investigations Division's new Form AUD 9530-A, titled "Audited Final Reserve Account Cash Activity Report" ([Forms in Spreadsheets](#), worksheet labeled "Reserve Accounts.")?

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Answer: The Audits and Investigations Division's Form AUD 9530-A provides for reporting **cash** activity, including amounts transferred **from** the reserve account. The Form AUD 9530-A amount should agree with the **from** amount reported on the Restricted Income line in the Revenue section of both the CDFS Attendance and Fiscal Report and the Audits and Investigations Division's Final Audited Attendance and Fiscal Report Form.

As to amounts transferred **to** the reserve account, there should be agreement between the forms as follows:

- On the Form AUD 9530-A prepared for the **current** fiscal year, the subtotal calculated for the beginning cash balance, plus the amount of cash transferred to the reserve account, should equal
- The ending balance on the **prior** fiscal year's CDFS 9530, Reserve Account Status Report (prepared by CDFS)

This is because the AUD 9530-A reports only **cash** transactions and the CDFS 9530 reports the amounts CDFS **authorizes** to be transferred to the reserve account. The CDFS bases its calculation on the current fiscal year's contract transactions, but the amount authorized for transfer is not actually transferred until after CDFS provides the form to the contractor, usually near the beginning of the following fiscal year.

The instructions for completing the AUD 9530-A are located on our website at "NEW AUDIT FORMS." Click on [General Instructions](#) then on [Additional Assistance](#).

12. Question: When do CPA's use the *Guide for Audits of Child and Adult Care Food Program (CACFP) Institutions*, published by the U.S. Department of Agriculture (USDA), Office of Inspector General (OIG)?

Answer: The USDA's audit guide ([USDA Audit Guide](#)) is one of two audit guides used to audit nutrition programs. It contains the national audit requirements of the USDA. (Our website used to refer to this guide as "OIG Audit Guide.")

Also use the *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* ([CDE Audit Guide](#)). It complements the USDA's audit guide, but it is State specific for California.

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13. Question: Are the child development programs carried out through “contracts” or “grants?”

Answer: The programs are carried out through “contracts.” Each agency that agrees to provide child development services, must execute a “contract.” The contract is assigned a contract number based on its program type, for example “GCTR0000” for a general center. The contract binds the agency, called a “contractor,” to follow the contract Funding Terms and Conditions (FT&C) and the Application for Funding that become part of the contract. The FT&C’s specify the contractual responsibilities of both the State and the contractor.

Even though funds are sometimes advanced to a contractor through cash payments called *apportionments*, no money is “granted.” To keep the funds, the contractor must *earn* the funds through appropriate program expenditures, as specified in the FT&C’s and other contract provisions.

14. Question: What happens if an agency does not submit the required audit report?

Answer: Audits are due as stated in Section 230 A of the *Guide for Auditing Child Development, Nutrition, and Adult Basic Education Programs* ([CDE Audit Guide](#)). The California Code of Regulations, Title 5, Section 18073 states that the audit shall be considered delinquent and all apportionments shall be withheld if an audit is not received on or before the required due date and an extension has not been granted in accordance with Title 5, Section 18056. Also, if an acceptable audit report is not submitted, the contractor may be billed for any advances it has received for the year because the contractor has the burden of supporting claims (through its audit) for reimbursement.

More Questions and Answers will be added here as issues develop. Please submit your written questions to our office at:

California Department of Education
Audits and Investigations Division
Attention: Website FAQ’s
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Or you may email DReising@cde.ca.gov